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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 27, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the transition period from _____ to _____

Commission File Number

0-15105

SCOTT & STRINGFELLOW FINANCIAL, INC.
(Exact name of Registrant as specified in its charter)

| Virginia | 54-1315256 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| 909 East Main Street<br>Richmond, Virginia | 23219 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code.....(804) 643-1811

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____.

At May 5, 1992, there were 1,756,573 shares of Scott & Stringfellow Financial, Inc. common stock, par value $.10, issued and outstanding.



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SCOTT & STRINGFELLOW FINANCIAL, INC.

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SCOTT & STRINGFELLOW FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

| | March 27, 1992 (unaudited) | June 28, 1991 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 6,957,333 | $ 1,798,092 |
| Cash segregated under federal regulations | 600,010 | 1,000,010 |
| Receivable from brokers, dealers and clearing organizations | 1,959,672 | 1,505,930 |
| Receivable from customers | 35,293,398 | 34,254,123 |
| Trading and investment securities | 7,415,918 | 9,585,714 |
| Exchange memberships, at cost | 848,050 | 848,050 |
| Office equipment and leasehold improvements, at cost less accumulated depreciation and amortization | 1,347,241 | 1,327,353 |
| Other assets | 4,769,555 | 1,656,439 |
| | $ 59,191,177 | $ 53,975,711 |
| **Liabilities and Stockholders' Equity** | | |
| Drafts payable | $ - | $ 2,073,522 |
| Securities sold under agreements to repurchase | 18,750 | - |
| Payable to brokers, dealers and clearing organizations | 741,797 | 267,944 |
| Payable to customers | 31,259,094 | 27,841,884 |
| Securities sold, but not yet purchased, at market value | 605,907 | 396,873 |
| Deferred income taxes | 100 | 125,571 |
| Accounts payable, accrued compensation and other liabilities | 5,839,892 | 4,746,464 |
| | 38,465,540 | 35,452,258 |
| Commitments and contingencies | | |
| Stockholders' Equity: | | |
| Common stock | 180,737 | 179,919 |
| Additional paid-in capital | 9,523,103 | 9,414,573 |
| Retained earnings | 11,021,797 | 8,928,961 |
| Total stockholders' equity | 20,725,637 | 18,523,453 |
| | $ 59,191,177 | $ 53,975,711 |

The accompanying notes are an integral part of the consolidated financial statements.

SCOTT & STRINGFELLOW FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | For the Three Months Ended | |
|---|---|---|
| | March 27, 1992 | March 28, 1991 |
| **Revenues** | | |
| Commissions | $ 6,705,307 | $ 5,543,022 |
| Investment banking | 2,324,561 | 432,547 |
| Principal transactions | 2,774,690 | 2,756,857 |
| Interest and dividends | 852,323 | 940,549 |
| Advisory and administrative service fees | 548,898 | 494,165 |
| Other revenues | 67,789 | 25,859 |
| Total revenues | 13,273,568 | 10,192,999 |
| **Expenses** | | |
| Employee compensation and benefits | 8,412,422 | 6,194,908 |
| Communications | 563,338 | 539,702 |
| Interest | 213,638 | 299,390 |
| Occupancy and equipment | 484,619 | 531,269 |
| Brokerage, clearing and exchange fees | 269,393 | 230,338 |
| Advertising and sales promotion | 274,803 | 200,618 |
| Postage, stationery and supplies | 303,200 | 267,347 |
| Data processing | 224,405 | 169,722 |
| Other operating expenses | 809,322 | 741,505 |
| Total expenses | 11,555,140 | 9,174,799 |
| Income before income taxes | 1,718,428 | 1,018,200 |
| Income tax expense | 655,000 | 360,000 |
| Net Income | $ 1,061,428 | $ 658,200 |
| Earnings per common share | $ 0.59 | $ 0.37 |
| Dividends declared per common share | $ 0.08 | $ 0.07 |
| Average common shares outstanding | 1,799,666 | 1,799,710 |

The accompanying notes are an integral part of the consolidated financial statements.

SCOTT & STRINGFELLOW FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

| | For the Nine Months Ended | |
|---|---|---|
| | March 27, 1992 | March 28, 1991 |
| Revenues | | |
| Commissions | $ 17,210,008 | $ 13,800,420 |
| Investment banking | 5,971,295 | 1,155,228 |
| Principal transactions | 7,556,421 | 6,639,931 |
| Interest and dividends | 2,768,157 | 2,974,422 |
| Advisory and administrative service fees | 1,605,738 | 1,338,133 |
| Other revenues | 164,819 | 76,031 |
| Total revenues | 35,276,438 | 25,984,165 |
| Expenses | | |
| Employee compensation and benefits | 21,948,495 | 15,624,935 |
| Communications | 1,690,622 | 1,597,112 |
| Interest | 737,922 | 927,208 |
| Occupancy and equipment | 1,509,141 | 1,591,699 |
| Brokerage, clearing and exchange fees | 738,028 | 702,634 |
| Advertising and sales promotion | 789,926 | 696,886 |
| Postage, stationery and supplies | 829,529 | 753,326 |
| Data processing | 546,877 | 491,880 |
| Other operating expenses | 2,467,885 | 2,089,517 |
| Total expenses | 31,258,425 | 24,475,197 |
| Income before income taxes | 4,018,013 | 1,508,968 |
| Income tax expense | 1,485,000 | 515,000 |
| Net Income | $ 2,533,013 | $ 993,968 |
| Earnings per common share | $ 1.41 | $ 0.54 |
| Dividends declared per common share | $ 0.21 | $ 0.20 |
| Average common shares outstanding | 1,799,411 | 1,830,980 |

The accompanying notes are an integral part of the consolidated financial statements.

SCOTT & STRINGFELLOW FINANCIAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended March 27, 1992 and March 28, 1991
(Unaudited)

| | 1992 | 1991 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 2,533,012 | $ 993,968 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 262,443 | 373,003 |
| Loss on disposal of equipment | - | 12,677 |
| Deferred income taxes | (125,471) | - |
| Change in assets and liabilities, net of effects of acquisition of Scott & Stringfellow Realty: | | |
| Cash segregated under federal regulations | 400,000 | (8,201,785) |
| Receivable from brokers, dealers and clearing organizations | (453,742) | (1,516,943) |
| Receivable from customers | (1,039,275) | 2,007,506 |
| Trading and investment securities | 2,169,796 | 1,856,692 |
| Other assets | 204,861 | (321,125) |
| Payable to brokers, dealers and clearing organizations | 473,853 | (907,110) |
| Payable to customers | 3,417,210 | 6,927,488 |
| Securities sold, but not yet purchased | 209,034 | 13,761 |
| Accounts payable, accrued compensation and other liabilities | 1,093,428 | 375,381 |
| Net cash provided by operating activities | 9,145,149 | 1,613,513 |
| Cash flows from financing activities: | | |
| Drafts payable | (2,073,522) | 749,818 |
| Net change in securities sold under agreements to repurchase | 18,750 | (25,000) |
| Cash dividends | (414,496) | (353,834) |
| Purchase and retirement of common stock | (47,000) | (1,222,823) |
| Issuance of common stock | 130,668 | - |
| Net cash used in financing activities | (2,385,600) | (851,839) |
| Cash flows from investing activities | | |
| Purchase of Scott & Stringfellow Realty | (1,094,373) | - |
| Capital expenditures | (272,723) | (156,176) |
| Increase in loans receivable | 143,205 | - |
| Repayment of loans receivable | (376,417) | - |
| Net cash used in investing activities | (1,600,308) | ( 156,176) |
| Net increase in cash and cash equivalents | 5,159,241 | 605,498 |
| Cash and cash equivalents at beginning of period | 1,798,092 | 719,379 |
| Cash and cash equivalents at end of period | $ 6,957,333 | $ 1,324,877 |
| Cash paid during the period for interest | $ 739,635 | $ 998,299 |
| Cash paid during the period for income taxes | $ 1,035,684 | $ 265,076 |

The accompanying notes are an integral part of the consolidated financial statements.

SCOTT & STRINGFELLOW FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation:
Scott & Stringfellow Financial, Inc. (the Company) is a holding company that owns all of the outstanding capital stock of Scott & Stringfellow Investment Corp. ("S & S") and of other diversified financial services subsidiaries. S & S, the Company's principal subsidiary, is a broker-dealer registered under the Securities Exchange Act of 1934.

These interim consolidated financial statements are unaudited; however, such information reflects all normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the period in accordance with generally accepted accounting principles. The nature of the Company's business is such that the results of any interim period are not necessarily indicative of results for a full fiscal year. The notes included herein should be read in conjunction with the notes to the consolidated financial statements included in the Company's annual report for the fifty-two weeks ended June 28, 1991.

2. Net Capital Requirements:
As a registered broker-dealer and member of the New York Stock Exchange (NYSE), the Company's wholly-owned subsidiary, S & S, is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1). S & S has elected to operate under the alternative method of the Rule, which prohibits a broker-dealer from engaging in any transactions where its "net capital" is less than 2% of its "aggregate debit balances" arising from customer transactions, as those terms are defined in the Rule. The NYSE may also impose restrictions on S & S's business if its net capital falls below 5% of aggregate debit balances.

At March 27, 1992, S & S's net capital was 35% of its aggregate debit balances and $11,999,228 in excess of its regulatory requirement.

3. During the quarter ended March 27, 1992, and the nine months ended March 27, 1992, the Company purchased 4,000 shares of its common stock at a cost of $47,000. The costs of the purchases were allocated to reduce common stock and additional paid in capital by $21,320 and retained earnings by $25,680. In addition, during the quarter ended March 27, 1992, and the nine months ended March 27, 1992, shares were issued pursuant to the exercise of stock options totalling 12,000 and 12,180 shares respectively. Net proceeds totalled $129,190 and $130,668 respectively.

SCOTT & STRINGFELLOW FINANCIAL, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Liquidity and Capital Resources

A substantial portion of the Company's assets are liquid, consisting mainly of cash or assets convertible into cash. The Company's largest asset is its receivable from customers, representing borrowings from the Company by customers to finance the purchase of securities on margin. The Company's primary funding sources are customer credit balances (excess funds kept by customers with S&S) and equity capital. From time to time, a portion of the Company's financing may be provided through short-term borrowings from banking institutions, although the Company had no such borrowings outstanding as of March 27, 1992.

The Company is subject to the net capital requirements of the Securities and Exchange Commission ("SEC") and the New York Stock Exchange which are designed to measure the general financial soundness and liquidity of broker-dealers. The Company has consistently operated well in excess of the minimum requirements. At March 27, 1992 the Company's net capital exceeded the minimum requirement by approximately $12.0 million.

Management believes that funds provided by operations, combined with the Company's existing capital base, and available lines of credit under broker loan and other agreements, will meet the Company's financing needs for the foreseeable future.

## Results of Operations

### Overview

Gross revenues for the third quarter of fiscal 1992 increased 30.2% from the third quarter of fiscal 1991 to a record $13,273,568. Third quarter income before income taxes increased to $1,718,428, a 68.8% increase from the year-ago level of $1,018,200. For the nine months ended March 27, 1992, gross revenues increased 35.8% to $35,276,438 versus $25,984,165. Income before income taxes for the nine month period increased 166% from $1,508,968 to $4,018,013.

Net income increased 61.6% to $1,063,428 from $658,200 in the third fiscal quarter while earnings per share rose to $.59 from $.37. Average common shares outstanding in the third quarter of 1992 was 1,799,666 versus 1,799,710 in the year earlier. For the nine months ended March 27, 1992, net income was $2,533,013, up 155% from $993,968 in the comparable period last year. Earnings per share increased in the latest nine months to $1.41 from $.54.

Nine Months Ended March 27, 1992 Compared to the Nine Months Ended March 28, 1991

In the nine month period ended March 27, 1992, total revenues rose 35.8% to $35.3 million from $26.0 million. The increase in revenues was primarily due to a strong market environment which resulted in sharply higher investment banking income and commission income. Investment banking revenue for the latest nine month period was up 417% from $1.2 million to $6.0 million. This sharp increase reflects primarily higher corporate and municipal underwriting activity.

Commission income was up 24.7% over last year, increasing $3.4 million to $17.2 million. The increase can be attributed to the generally strong market environment in the current period. Principal transaction revenues were up 13.8% over last year. Principal transaction revenues were up sharply in the equity side of the business but were modestly lower than the year earlier period in the fixed income areas.

Interest and dividends were down 6.9% from last year due to the lower interest rate environment. Short-term interest rates, including the broker call rate which is the index on which the firm's margin loans are based, have declined significantly over the past twelve months. Advisory and administrative fees were up 20.0% over last year principally due to a new transaction based administrative fee that was established April 1, 1991. Other revenues were up over last year due solely to the inclusion of rental income from a company-owned shopping center acquired as part of the acquisition of Scott & Stringfellow Realty in August of 1991.

Total operating expenses for the nine months ended March 27, 1992, increased 27.7% to $31.3 million from $24.5 million. Compensation and benefits increased 40.5% year-over-year which was primarily due to higher levels of revenues upon which commissions are paid, and higher levels of profits upon which bonuses and profit sharing contributions are determined. Communications expense was up 5.9% when compared to the year earlier period. The comparison to last year reflects a non-recurring credit in the year earlier period as well as generally higher prices for market data, a higher volume of quote machine equipment and data services, and modestly higher telephone costs. Interest expense was down 20.4% due to much lower interest rates more than offsetting higher customer credit balances (the Company has a limited credit interest program).

Occupancy and equipment expense was down 5.2% in the nine month period ended March 1992. This was primarily due to lower depreciation and amortization expense although the Company's efforts to renegotiate leases at lower rates contributed to the decline later in the nine month period. Brokerage, clearing and exchange fees were up 5.0% in the latest nine months due to higher volume of business offset somewhat by more efficient execution. Advertising and sales promotion expense was up 13.4% due largely to the positive market environment and increased efforts to attract funds from low yielding deposit products. Data processing expense was up 11.2% due entirely to the higher level of business.

Other operating expenses increased from $2.1 million to $2.5 million, a 18.1% increase. The increase was due to the establishment of various asset valuation reserves as well as higher legal expenses.

Three Months Ended March 27, 1992 Compared to Three Months Ended March 28, 1991

Revenue increased 30.2% to $13.3 million from $10.2 million last year. The increase in revenue was driven by a strong equity market environment and sharply higher levels of underwriting activity in the current quarter as compared to last year. Investment banking revenues which include underwriting activity were up 437% in the latest quarter to $2.3 million from $.4 million last year which accounted for the majority of the Company's increase in revenues.

Commission income was up 21.0% in the third quarter versus last year to $6.7 million from $5.5 million reflecting higher equity and mutual fund commissions. Principal transactions revenues were up a modest .6% reflecting higher equity-related activity offset by lower fixed income activity. Interest and dividends were down 9.4% due entirely to the sharp year-over-year drop in short-term interest rates.

Advisory and administrative fees were up 11.1% in the quarter due to a transaction based administrative fee that was effective April 1, 1991. Other revenues were up due to the aforementioned inclusion of rental income from Scott & Stringfellow Realty.

Operating expenses rose 25.9% in the third quarter of fiscal 1992 as compared to last year's third quarter, increasing to $11.6 million from $9.2 million. The increase was largely explained by a 35.8% rise in compensation and benefits which increased from $6.2 million to $8.4 million. Because the majority of the Company's compensation expense is related to revenue generation, the rate of increase in this expense category is largely explained by the increased revenues in the period. Higher profitability also impacted profit-related incentive compensation including the Company's contribution to its profit sharing plan.

Communications expense increased 4.4% reflected generally higher expenses for market data as well as modest increases in telephone expense. Interest expense declined 28.6% as the impact of lower interest rates offset higher interest-bearing balances in the Company's credit interest program. Occupancy and equipment expense declined 8.8% due to lower depreciation and amortization as well as lower rental expense associated with the firm's efforts to renegotiate leases. Brokerage, clearing and exchange fees were up 17.0% due to higher volumes. Most of the firm's efforts to reduce these costs were accomplished in the latter half of fiscal 1990 and the first half of fiscal 1991.

Advertising and sales promotion expense was up 37.0% due to the positive market environment and the firm's efforts to attract money from low yielding savings products. Postage, stationary and supplies increased 13.4% which reflected both the impact of the last postage increase (February 1991) and higher usage due to high business activity. Data processing expense was up 32.2%. The increase was primarily attributed to higher year end statement processing costs associated with enhanced annual reporting to clients. Other expenses increased 9.1% to $.8 million. The increase was due an to asset valuation allowance taken against a property owned by Scott & Stringfellow Realty.

Part II. Other Information

Item b: Exhibits and Reports on 8-K

(b) Reports on Form 8-K - There were no reports on Form 8-K filed during the quarter ended March 27, 1992.

SCOTT & STRINGFELLOW FINANCIAL, INC.
AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SCOTT & STRINGFELLOW FINANCIAL, INC.
Registrant

| Signature | Title | Date |
|---|---|---|
| William P. Schubmehl | President and Chief Executive Officer (Principal Executive Officer) | May 5, 1992 |
| Jeffrey D. Levin | Treasurer and Chief Financial Officer (Principal Financial Officer) | May 5, 1992 |